

29 September 2022 (anonymous) – Prudent Discount

Question:

A distributor asked: I understand that you are working on a guideline document for the Prudent Discount under the new TPM that is effective from 1 April 2023 so this won't be available yet, however is there a guideline document available via your web site for the Prudent Discount under the current (until 1 April 2023) TPM.

Response:

Transpower does not have a published guidance document on the current prudent discount regime. However, in case useful, there is information on existing prudent discount agreements on our website [here](#).

Transpower currently has two PDAs in place, one at Aniwhenua and Matahina and the other at Waipori. We also have one Notional Embedding Contract (NEC) in place, which was the type of agreement that preceded PDAs. The NEC is for generation at Waitaki (BlackPoint).

The Electricity Industry Participation Code 2010 (Code) provides as a general rule that Transpower must charge for transmission services in accordance with the TPM. The current TPM allows for prudent discounts under the current PDAs. Until recently, the Code also provided that NECs are an exception to this general rule.

As the Electricity Authority noted in its May 2022 [consultation paper](#), "The existing PDAs (Waipori and Aniwhenua/Matahina) and NEC (BlackPoint) were agreed under transmission pricing arrangements that are or will soon be obsolete – as the new transmission pricing methodology (TPM) is due to commence in April 2023." In July 2022 the [Authority amended the Code](#) so that NECs will no longer be an exception from 1 April 2023. and the new TPM will allow for prudent discounts under new PDAs.

As indicated on our [consultation schedule](#), we expect to consult on a new prudent discount practice manual in November.